

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: Original
POSITION: Neutral

BILL NUMBER: SB 1435
AUTHOR: D. Ducheny

BILL SUMMARY: Marinas and Harbors: Funding

This bill would expand the existing private marina loan program, administered by the Department of Boating and Waterways (Boating), by allowing the costs of planning, design, and other similar expenses to be included in the loan amount.

FISCAL SUMMARY

Boating indicates this bill would increase the public's interest in the private marina loan program, which would result in more requests for loans from the Harbors and Watercraft Revolving Fund (HWRF). Consequently, allowing these costs to be included would place additional pressure on the HWRF for funding. It is estimated that the HWRF will have a \$33 million fund balance at the end of 2008-09. However, ongoing expenditures exceed revenues by approximately \$14 million.

We also note that the bill would increase the amount of interest revenue being deposited into the HWRF since repayment of interest begins on first draw and principal payments begin upon completion of the project. Additionally, by allowing these costs to be included in the loan, project costs could be held down since construction inflation runs about 5 percent per year and applicants are required to have appraisals and plans complete prior to drawing on the loan for construction.

COMMENTS

This bill would have a minor fiscal impact and concerns a policy matter on which we are neutral.

Boating provides construction loan funds for recreational marinas. These funds can be used to construct, expand, or improve privately owned boating facilities that are open to the public. The funds can be used for: berthing, restrooms, vessel pumpout stations, utilities, riprap and erosion control, vehicle/trailer parking, launching facilities, dry boat storage facilities, breakwaters, and other boating related facilities.

Under existing law Boating may make loans to public or private marina owners but cannot include the costs of planning, design, and other similar expenses in the loan amount. Currently, owners are required to come up with the appraisal and engineering costs prior to being approved for a loan. Boating indicates it recently made the decision to offer to cover the costs of appraisals for borrowers, but would not be able to recoup the costs under the current law.

This bill would allow loan funds to be used for planning, design, and other similar expenses associated with marina construction. This practice is customary under commercial lending practices and lenders typically charge collateral appraisals and other non-construction expenses to borrowers, and the costs are often funded through loan proceeds.

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Analyst/Principal (0635) M. Almy	Date	Program Budget Manager Karen Finn	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

BILL NUMBER

SB 1435

		SO	(Fiscal Impact by Fiscal Year)						
Code/Department	LA	(Dollars in Thousands)							
Agency or Revenue	CO	PROP							Fund
Type	RV	98	FC	2007-2008	FC	2008-2009	FC	2009-2010	Code
3680/Boat & Water	SO	No	-----	See Fiscal Summary				-----	0516
5300/Loan Repymts	RV	No	-----	See Fiscal Summary				-----	0516
<u>Fund Code</u>	<u>Title</u>								
0516	Harbors and Watercraft Revolving Fund								